

June 30, 2021

Attn: CommentLetters@aicpa-cima.com

Re: Proposed Statement on Auditing Standards – INQUIRIES OF THE PREDECESSOR AUDITOR REGARDING FRAUD AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the amendments proposed in the above-referenced exposure draft.

Request for Comments:

1. Does the respondent agree with the ASB's determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a re-audit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor's inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management's agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management's authorization)?

Response:

The PSC agrees that the requirement to request management to authorize the predecessor auditor to respond fully to the auditor's inquiries should be retained. The practice of contacting the predecessor auditor, and documenting the communication, is a vital component of audit planning.

However, the PSC does not think that it is effective to inquire about suspected fraud and suspected noncompliance as proposed on page 8 paragraph .12. If suspicions concerning fraud or noncompliance are raised during an audit, additional work should be performed to either eliminate or confirm the suspicion. A predecessor auditor should not relay information to the successor auditor that is not supported by audit evidence. Any suspected fraud and noncompliance should be reported to management by the predecessor auditor. The successor auditor should document management's concerns about possible fraud or noncompliance during the risk assessment portion of the audit.

2. Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor's inquiries due to impending, threatened or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.

Response:

The PSC agrees that the proposed requirements, including the exceptions allowing for the predecessor auditor to decline to respond to the auditor's inquiries, are appropriate and complete. The PSC also agrees as proposed in paragraph .13 that when limited responses are provided by the predecessor auditor, this should be noted in the audit documentation of the communication.

3. Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.

Response:

The proposed requirements appear to be formalizing what is already best practice concerning communications with the predecessor auditor. The PSC thinks this proposal is an appropriate action of the ASB in continued efforts to enhance audit quality. However, we would like to reiterate that suspicions of fraud and/or noncompliance are issues between the auditor and management and not appropriate to require the predecessor auditor to disclose suspicions to the successor auditor that are not supported with evidence, in which case they should be documented in the audit workpapers. The PSC also thinks that it is appropriate to address this issue separately from the currently pending exposure draft issued by the AICPA PEEC. The Auditing Standards are the appropriate place to require documented communications between the predecessor and successor auditor.

4. Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.

Response:

The PSC is supportive of the proposed effective date.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lyle C. Joiner".

Lyle C. Joiner, CPA  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants